

STATEMENT OF PURPOSE

RS19827

This legislation is proposed to contain Medicaid costs by reducing reimbursement, cutting incentives that are unaffordable in the current economic environment and by requiring pharmacies to participate in cost surveys in order to obtain accurate and current prices. The changes include both short-term and on-going reductions. The on-going policy reductions are being made to provide for sustainable cost controls. Reimbursement changes impact personal care service agencies, nursing homes, intermediate care facilities, physicians and dentists. The Division of Medicaid's budget was originally established on the assumptions that last year's reductions would be continued for another year. New to this year's cost containment bill is a requirement that personal care rates be no greater than the current rate but can be reduced based on the wage survey. The nursing home and intermediate care facility incentive payments are removed entirely rather than simply reduced. Pharmacy required participation in cost surveys will allow Medicaid to expand the use of its State Maximum Allowed Cost (SMAC) methodology that is projected to result in reduced program costs.

FISCAL NOTE

The cost containment items that were continued from last year have already been incorporated into the Division of Medicaid's 2011 appropriation. The new cost containment items that will help address the projected 2011 shortfall equal 3.4 million in general funds for a 16.7 million in savings.

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